

VZCZCXRO7773
OO RUEHCHI RUEHFK RUEHHM RUEHKSO RUEHNAG RUEHPB
DE RUEHML #0395 0450726
ZNR UUUUU ZZH
O 140726Z FEB 08
FM AMEMBASSY MANILA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 9746
INFO RUEHZU/ASIAN PACIFIC ECONOMIC COOPERATION IMMEDIATE
RHHMUNA/CDRUSPACOM HONOLULU HI IMMEDIATE

UNCLAS MANILA 000395

SIPDIS

SENSITIVE

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E.O. 12958: N/A

TAGS: [ETRD](#) [WTRO](#) [ECON](#) [RP](#)

SUBJECT: WTO Environmental Goods and Services Demarche -
Philippines to Consider

Refs: a) State 11974, b) State 12905, c) Manila 139

SENSITIVE BUT UNCLASSIFIED

¶1. (SBU) Summary: EconCouns delivered ref A demarche to Undersecretary for Trade Thomas Aquino of the Philippine Department of Trade and Industry after coordination with colleagues at the EC Delegation in Manila. Aquino responded positively, but said an interagency consensus is still needed before the Philippines could express support for this initiative. At Aquino's recommendation we will now seek a meeting with the Department of Environment and then will return to DTI to again press the issue. End Summary.

¶2. (U) While coordinating the joint U.S.-EC approach on ref b demarche on TAFT goods, we realized that coordination on ref a demarche on environmental goods would also be useful. Assistant Director Angelo "Butch" Benedictos was reluctant to accept a joint U.S.-EC demarche, so the EC met with him on February 8 without our participation. The EC reported to us that Benedictos' thought the proposal on environmental goods was "too advanced" for the Philippines, as yet. He said ASEAN countries were still at a stage where they are defining "environmental goods." Concerned officials in the Department of Environment and Natural Resources (DENR) were still trying to come up with an agreed list, he added. An existing APEC list was under study, as well as one from UNCTAD. He also referred to the dual-use nature of some of these goods as a potential difficulty, and claimed that these issues had not been clarified yet in Geneva. Thus far, Filipinos had not focused on environmental services at all, he stated. He gave our EC counterparts the strong impression that the Philippines would not move on this issue until there was progress in the NAMA and agriculture negotiations.

¶3. (SBU) In light of Benedictos' reaction, we decided to take the demarche to a higher level to press for a more positive response. EconCouns met on February 13 with Undersecretary Tom Aquino, who was accompanied by Benedictos. Delivering both this demarche and the demarche on the U.S./EC TAFT goods proposal (ref b, reported septel), EconCouns pointed out that in the recent meeting between Assistant to the President for Economic Affairs Daniel Price and Philippine President Arroyo, Arroyo had again expressed her commitment to moving forward on the Doha Round, to taking positions on the basis of Philippine interests, and not waiting for the NAMA and agricultural results before negotiating other issues. EconCouns noted that President Arroyo had responded positively to Price's request that the Philippines support this proposal.

¶4. (U) Aquino responded that this is a complex issue. Which goods should be on the list may be difficult to decide, given the dual-use aspect of many of the goods. EconCouns responded that the point of our demarche is that we would like the Philippines and other countries to begin to engage on which goods should be included. If the issue is complex and difficult, that is all the more reason to begin working on it immediately.

¶6. (U) Aquino took that point, but noted that the issue requires interdepartmental coordination in the Philippine government. The Department of Environment is studying the various lists of goods. He suggested that EconCouns approach the Department of Environment directly to push for favorable consideration of the U.S.-EC proposal.

¶6. (SBU) Comment: It is clear that those Philippine officials who master the details of this and other Doha Round negotiations, both here and in Geneva, are resistant to any call for increasing the pace in negotiating other issues, at least until NAMA and ag negotiations move forward. Policy makers in Manila, from President Arroyo down to Aquino are more inclined toward the U.S. position. However, it is not clear how forcefully they are pushing that position when we are not in the room. EconCouns will seek a meeting at the Department of Environment to discuss this issue, and then get back to Aquino again. We will also find an opportunity to raise the issue with Secretary of Trade Peter Favila who was in the room when President Arroyo expressed general support for the proposal.